

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2002-145-E - ORDER NO. 2002-521

JULY 12, 2002

IN RE: Petition of South Carolina Electric & Gas)	ORDER APPROVING ✓
Company for Approval of the Conveyance)	TRANSFER OF BUSES
Agreement between SCE&G and the City of)	TO CITY AND OTHER
Columbia, SC for Transfer of Equipment and)	MATTERS
Inventory of the Columbia Transit Operations)	
and the Columbia Canal Hydroelectric Project)	
and Cessation of SCE&G's Transit)	
Operations within the City of Columbia and)	
its Environs.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition of South Carolina Electric & Gas Company (SCE&G or the Company) for approval of the Conveyance Agreement between SCE&G and the City of Columbia, South Carolina (the City) for transfer of equipment and inventory of the Columbia transit operations and the Columbia Canal Hydroelectric Project and cessation of SCE&G's transit operations within the City of Columbia and its environs. The Company filed a Petition with the Commission pursuant to S.C. Code Ann. Sections 58-5-10 et seq. and Section 58-27-1300 (1976 and Supp. 2001) for (A) Approval of the Conveyance Agreement between the Company and the City of Columbia, South Carolina; (B) Approval of the Franchise Agreement between the Company and the City; (C) Authorization for the Company to cease providing public commercial transportation service within the City and its environs; and (D) Authorization to include in Electric

Plant-in-Service the value of cash payments, real and personal property and all other items comprising the Company's consideration for the Franchise Agreement.

The Commission's Executive Director required the Company to publish a Notice of Filing and Hearing, one time, in newspapers of general circulation in the transit service area. The Company filed affidavits showing compliance with the Executive Director's letter. Petitions to Intervene were filed by John C. Ruoff and the Consumer Advocate for the State of South Carolina (the Consumer Advocate)(collectively, the Intervenors). A pre-hearing conference was held involving all parties.

Subsequently, a hearing was held on June 19, 2002 at 2:30 PM in the offices of the Commission. The Honorable William Saunders, Chairman, presided. The Company was represented by Francis P. Mood, Esquire and Catherine D. Taylor, Esquire. John C. Ruoff appeared pro se. The Consumer Advocate was represented by Hana Pokorna-Williamson, Esquire. The Commission Staff was represented by F. David Butler, General Counsel.

Prior to the hearing, it was announced that a Stipulation had been entered into between the Company, John C. Ruoff, and the Consumer Advocate. (The Staff announced that it did not object to the Stipulation.) The substance of the Stipulation was that the Intervenors John C. Ruoff and the Consumer Advocate took no position with regard as to whether (a) SCE&G should be allowed to transfer those assets as set forth in the Conveyance Agreement and terminate its transit services all as described in its Petition and (b) whether SCE&G should be allowed to include in Electric Plant in Service, Account 302-Franchises and Consents the value of the payments and transfers to

be made by SCE&G to the City and amortization of that amount in equal monthly installments over thirty years. Further, those parties stipulated and agreed that approval by the Commission does not constitute a binding determination of whether the transfer is prudent or the accounting treatment is appropriate for any future ratemaking purposes, and further, that the Intervenors shall retain the right to challenge the prudence of the transfer, the reasonableness of the value of the payments, transfers and other costs to be made or incurred by SCE&G, the accounting treatment thereof, and the body of ratepayers affected thereby in a later ratemaking proceeding. SCE&G further agreed in the Stipulation that it will not argue in subsequent ratemaking proceedings that such approval in this Docket is precedential or binding. The Stipulation was entered into the evidence as a hearing exhibit.

SCE&G presented the testimony of Neville O. Lorick and Carlette L. Walker at the hearing. Neither John Ruoff, the Consumer Advocate, nor the Commission Staff presented any witnesses. Mrs. Mamie Jackson appeared as a public witness.

Neville O. Lorick, President and Chief Operating Officer of SCE&G, testified regarding the background leading up to the execution of the Conveyance Agreement (Agreement) dated February 20, 2002, and the Franchise Agreement (Franchise) dated March 2002, by and between SCE&G and the City. The City passed a resolution and an ordinance endorsing the two documents, according to Mr. Lorick.

Mr. Lorick related the history of the provision of transit service in Columbia by SCE&G. Pursuant to a franchise with the City, as reflected in the opinion of the South Carolina Supreme Court in *State ex rel. Daniel, Attorney General v. Broad River Power*

Co., 157 S.C. 1, 153 S.E. 537 (1929), the Company has provided public transit service to the residents of the City of Columbia and its environs for many years, subject to the regulatory oversight of the Commission. Routes, rates, operating losses and adequacy of service have all been issues in proceedings before the Commission, and such matters are currently still before the Courts as a part of long-standing litigation. Further, there was a belief of the fact that the transit service was offered as a condition of the Company's electric franchise with the City limited the development of a comprehensive regional transit authority providing more broadly based public transit, according to Mr. Lorick.

Accordingly, SCE&G and the City conducted long-term negotiations in order to provide a permanent solution to these kinds of issues, which culminated in the Agreement presented to the Commission in this proceeding. The Agreement relieves the Company of its transit responsibilities. At the same time, the Agreement enables the City to address public transit for its citizens and residents, and, in concert with other organizations, to develop a transit system serving regional transportation needs.

Lorick states that there will be no impact of the transfer on SCE&G employees. In 2000, the Company contracted with Atlantic Express of SC, Inc. (Atlantic) to operate the transit system. On December 1, 2001, the Company retained the transit operating services of Connex TCT, Inc. (Connex). SCE&G states that it has overseen these services.

Through Mr. Lorick, SCE&G specifically requests that this Commission approve the Conveyance Agreement by and between the Company and the City, together with the attached schedules; approve the Franchise Agreement between the Company and the City; authorize SCE&G to cease providing public commercial transportation service

within the City of Columbia and its environs; and to permit SCE&G to include the payments and other consideration itemized in the Agreement and Petition filed by the Company in this matter to be included in Electric Plant in Service, Account 302-Franchises and Consents and be amortized over the remaining life of the Franchise. Lorick notes that an itemization of all such payments and consideration will be provided to the Commission within ninety (90) days of closing. Lorick further states that certain other costs (e.g. improvements required by the FERC as a condition for renewal of the license) will not necessarily be known at the time of the closing. As these costs become known, SCE&G requests that, upon notification to the Commission, that they be included in Electric Plant in Service, Account 302-Franchises and Consents and be amortized over the remaining life of the Franchise.

Carlette L. Walker, Assistant Controller of SCANA's regulated subsidiaries, including SCE&G, also testified. Ms. Walker noted that, pursuant to the Conveyance Agreement, SCE&G will convey to the City property, equipment and inventory of the Company's Columbia Transit Operations and the Company's Columbia Canal Hydroelectric Project and will cease the Company's transit operations within the City of Columbia and its environs. Pursuant to the Agreement, SCE&G will transfer to the City all of the real and personal property used in its Transit System and the City will assume and be responsible for all transit and transportation obligations related to the system.

Ms. Walker noted that, as consideration for the City's grant of a franchise and its assumption of responsibility for the Transit System and all transportation obligations

formerly belonging to SCE&G, SCE&G has agreed to make the following payments and conveyances to the City:

- (1) A cash payment to the City of Fifteen Million Dollars (\$15,000,000) in four equal installments within the first year after the closing;
- (2) A cash payment to the City of Seventeen Million Two Hundred Ninety Thousand Dollars (\$17,290,000) in seven equal annual installments payable on the first anniversary of the closing date and each anniversary thereafter until the full amount has been paid;
- (3) A cash payment of Three Million Dollars (\$3,000,000) to Central Midlands Council of Governments as a local match for Federal Transit Administration grants for the purchase of new transit coaches and a new transit facility;
- (4) A conveyance to the City of all of SCE&G's assets that are directly and principally related to SCE&G's Transit System including approximately 6.98 acres of real property adjoining Huger Street in Columbia, South Carolina that is currently used by SCE&G for its Transit System (Huger Street Property);
- (5) Subject to FERC approval, a conveyance to the City all of SCE&G's assets that are directly and principally related to the Columbia Canal Hydroelectric Project which is designated as FERC Project No. 1895, including the FERC license for the same, and including the real property owned by SCE&G located within the FERC-designated Project boundary;

- (6) Payment for certain capital and pre-construction expenses associated with facilities that FERC may require to be installed at FERC Project No. 1895 as conditions for renewal of the license for such Project;
- (7) Take all of the electrical output from the Columbia Canal Hydroelectric Project during the term of the franchise and deduct from any monthly charges to the City for the City's electricity an amount equal to a credit for such electrical output taken according to a formula described in the Agreement;
- (8) Provide environmental remediation of the Huger Street Property within eight (8) years following the closing date;
- (9) Payments of electric and gas franchise fees as provided in the Franchise;
- (10) Provide and pay part of the cost of other non-standard service relating to the placement of electric lines underground (the Non-Standard Service).

According to Ms. Walker, the total book value of personal and real property to be transferred by SCE&G to the City is approximately Five Million, Two Hundred Seven Thousand, Two Hundred Sixty-One Dollars (\$5,207,261). The total cost associated with renewing the FERC hydroelectric license for Project 1895 is estimated to be approximately Four Million Dollars (\$4,000,000). In addition to this cost, SCE&G has incurred and will incur certain other costs of approximately One Million Dollars (\$1,000,000) related to the transfer of the Transit System and the FERC Project 1895 to the City.

Ms. Walker notes that to complete this transaction, the City and Company have entered into a new franchise agreement for electric and gas service. Under the terms of

the Franchise, the City is granting to SCE&G a franchise to use the streets and public ways of the City for a period of thirty (30) years to conduct electric and gas business.

Ms. Walker's testimony repeats the requests for the various approvals found in Mr. Lorick's testimony. On cross-examination, Ms. Walker stated that the Company was not seeking rate relief in this matter for the various monies associated with the transfer, but was simply seeking to properly account for these funds on the Company's books.

We have examined the testimony in the matter, the Application and the documents attached to the Application, and the Stipulation entered into by various parties in this case. First, we approve the Stipulation entered into between the Company, John Ruoff, and the Consumer Advocate, and not objected to by the Commission Staff. We agree that approval of the various documents does not constitute a binding determination by this Commission of whether the transfer is prudent or the accounting treatment is appropriate for any future ratemaking purposes, and that the Intervenors may challenge prudence of the transfer, the reasonableness of the value of the payments, transfers and other costs to be made or incurred by SCE&G, the accounting treatment thereof and the body of ratepayers affected thereby in a latter ratemaking proceeding. We also approve the remainder of the points in the Stipulation.

Further, we think that approval of the Conveyance Agreement and Franchise Agreement are in the public interest. We believe that transfer of the transit system to the City will lead to a more broadly based public transit system. In other words, we believe that improved transit service to the public will occur as the result of our approval of the Conveyance Agreement. Likewise, approval of the Franchise Agreement is in the public

interest, because it assures dependable delivery of electric and gas service to the residents of Columbia for years to come. Accordingly, we also authorize SCE&G to cease providing public commercial transportation service within the City of Columbia and its environs as per the Agreement between SCE&G and the City. Further, we authorize transfer of the ownership of the Columbia Canal Hydroelectric Project to the City.

Likewise, we hereby approve SCE&G's proposal to include the payments and other consideration itemized in the Agreement and Petition filed by the Company in this matter to be included in Electric Plant in Service, Account 302-Franchises and Consents and be amortized over the remaining life of the Franchise. Itemization of all such payments and consideration will be provided to the Commission within ninety (90) days of closing. As other unknown costs become known, upon notification to this Commission, these costs may also be included in Electric Plant in Service, Account 302-Franchises and Consents and be amortized over the life of the Franchise.

In other words, we approve the Company's Application and all attachments as filed, as well as the Stipulation. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director
(SEAL)